



天禧海嘉控股集團有限公司
SKY CHINA FORTUNE HOLDINGS GROUP LIMITED

LISTED ON THE STOCK EXCHANGE OF HONG KONG (STOCK CODE: 141)
(Incorporated in Hong Kong with limited liability)

2020

INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. JIANG Tian (*Chairman*)

Ms. HOU Yingxuan (*Chief Executive*)

Mr. GONG Biao (*Vice-President*)

Ms. JIANG Jiabao

Non-executive Director

Mr. CHAI Yuet

Independent Non-executive Directors

Mr. HU Jianxing

Mr. TSEUNG Yuk Hei Kenneth

Mr. JI Qing

Company Secretary

Ms. HO Wing Yan (*ACIS, ACS (PE)*)

Auditor

KPMG

Certified Public Accountants

Public Interest Entity Auditor

*registered in accordance with the
Financial Reporting Council Ordinance*

Legal Adviser

CFN Lawyers

Share Registrar

Union Registrars Limited

Suites 3301-04, 33/F.

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

Registered Office

Room 1512, 15/F.

New World Tower 1

16-18 Queen's Road Central

Hong Kong

Audit Committee

Mr. TSEUNG Yuk Hei Kenneth (*Chairman*)

Mr. HU Jianxing

Mr. JI Qing

Remuneration Committee

Mr. HU Jianxing (*Chairman*)

Mr. GONG Biao

Mr. JI Qing

Nomination Committee

Mr. JIANG Tian (*Chairman*)

Mr. HU Jianxing

Mr. JI Qing

Stock Code

141 (Main Board of The Stock Exchange of
Hong Kong Limited)

Website

www.skychinafortune.com

Contact

Room 1512, 15/F.

New World Tower 1

16-18 Queen's Road Central

Hong Kong

Telephone: (852) 2167 3333

Facsimile: (852) 2167 6333

Email: info@skychinafortune.com

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Attributable to the outbreak of coronavirus disease (the “**Coronavirus Outbreak**”) in the People’s Republic of China (the “**PRC**”) during the six months ended 30 June 2020 (the “**Period**”), overall business activities in the PRC have been materially and adversely affected. The adverse knock-on effects of the Coronavirus Outbreak, including smaller clusters of infected cases in parts of the PRC from time to time, are not limited to the immediate direct reduction of economic activities and loss of consumer spending as a result of the various containment measures adopted by the PRC Government (the “**Containment Measures**”), but also include loss of employment, shifting in consumer behaviour in the short term and gradual increase in business and social activities over time. In addition, given that the Coronavirus Outbreak has affected countries globally to various degrees, the rates of overseas businesses and tourists entering into the PRC are expected to experience a notable decrease for the rest of 2020. Consequently, after the initial notable increase in activities as a result of the relaxed and/or discontinued Containment Measures, recovery in domestic consumer spending and retail activities is likely to occur gradually over time. These adverse impacts have and will continue to affect the markets in which Sky Chinafortune Holdings Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) operates. Despite that the property market in the PRC for the Period has shown a slightly downward trend, it has still been well-managed in terms of both transactions and prices through relevant monetary and administrative measures.

Financial Review

Continuing operations

Revenue of the Group for the Period increased by approximately HK\$6.02 million to approximately HK\$17.98 million (six months ended 30 June 2019: approximately HK\$11.96 million). This was mainly due to the new source of revenue of approximately HK\$5.86 million generated from the new retail business which commenced in early 2020.

Our gross profit was approximately HK\$11.70 million (six months ended 30 June 2019: approximately HK\$11.05 million) for the Period, while gross profit margin was approximately 65.07% (six months ended 30 June 2019: approximately 92.39%). The gross profit margin had decreased significantly compared with the corresponding period in 2019 due to the commencement of the new retail business, in which the gross profit margin in such new business was relatively low.

Other net income was approximately HK\$0.95 million for the Period, while that for the corresponding period in 2019 was approximately HK\$0.78 million. Such increment was mainly due to the subsidy received from the Government of the HKSAR in response to the Coronavirus Outbreak.

Administrative expenses mainly comprised of salaries and benefits including directors' emoluments, depreciation charge of property, plant and equipment, depreciation charge of right-of-use assets, short-term rental expenses, legal and professional expenses and other office expenses. Administrative expenses for the Period and the six months ended 30 June 2019 were approximately HK\$11.01 million and HK\$9.60 million, respectively, representing an increase of approximately HK\$1.41 million for the Period. Such increase was mainly due to the increase in the depreciation charge of right-of-use assets as the Group leased new shops for the retail business.

Profit for the Period attributable to owners of the Company amounted to approximately HK\$1.64 million (six months ended 30 June 2019 (restated): profit of approximately HK\$3.71 million). The decline was mainly due to (i) the fair value gain on investment properties of approximately HK\$2.83 million for the Period as compared to the fair value loss on investment properties of approximately HK\$2.85 million for the corresponding period in 2019; (ii) the absence of fair value gain in relation to the transfer of properties from accounting classification under "Properties held for sale" to "Investment properties", which amounted to approximately HK\$6.35 million recorded in the corresponding period in 2019; and (iii) the increase in administrative expenses as mentioned above.

Basic and diluted earnings per share of the Company (the "Share") for the Period were HK0.47 cents (six months ended 30 June 2019 (restated): earnings per Share HK1.07 cents).

Discontinued operation

As the retail market for automobiles in the PRC had been seriously affected by the impact of the reduction of government subsidies for the new energy vehicles and the trade conflict between the PRC and the U.S., the Group ceased the operation of its automobile business segment in 2019. The deregistration of entities within this segment had been completed during the Period and the results of the automobile business segment for the Period was classified as a discontinued operation accordingly. For the six months ended 30 June 2019, a loss after tax of approximately HK\$8.29 million was recognised which was mainly attributable to the impairment loss of approximately HK\$8.15 million recognised on property, plant and equipment and other receivables. Recoverable amount was estimated to be nil, based on value-in-use calculation and that the property, plant and equipment and other receivables of the automobile business segment had been fully impaired.

Business Review

Continuing operations

Properties Business

After the Coronavirus Outbreak, as a result of the reduction of economic activities and temporary loss of consumer spending, the income received from several tenants had reduced during the Period. In light of this, the Group entered into additional supplemental agreements with certain tenants to reduce/waive the rental payment for periods ranging from one to two months during the Period. As a result, approximately HK\$2.43 million of the total rental income from the Group's properties business during the Period had been waived. Despite this, none of the tenants had terminated the rental agreement with the Group during the Period.

Residential premises

For the Period, the Group generated revenue of approximately HK\$1.21 million (six months ended 30 June 2019: approximately HK\$1.13 million) from the leasing of residential premises. The average occupancy rate per unit was approximately 91.67% for the Period (six months ended 30 June 2019: approximately 82.29%). The occupancy rate per unit as at 30 June 2020 was approximately 87.50%. As at 30 June 2020, 15 residential premises (as at 30 June 2019: 13 residential premises) were classified as investment properties, which were valued by an independent professional valuer. These investment properties are primarily located in Shanghai and Hainan, the PRC. The fair value gain on investment properties was approximately HK\$4.61 million for the Period (six months ended 30 June 2019: approximately HK\$4.71 million). As at 30 June 2020, 1 residential premise (as at 30 June 2019: 3 residential premises) was classified as property held for sale, which was measured at the lower of cost and net realisable value. The property held for sale is located in Shanghai, the PRC.

Shops and car parks

For the Period, the Group generated revenue of approximately HK\$10.63 million (six months ended 30 June 2019: approximately HK\$10.83 million) from leasing of shops and car parks. The average occupancy rate per unit was approximately 44.12% for the Period (six months ended 30 June 2019: approximately 67.65%). As at 30 June 2020, all shops and car parks were classified as investment properties, which were valued by the independent professional valuer. The fair value loss on investment properties was recorded at approximately HK\$1.78 million for the Period (six months ended 30 June 2019: approximately HK\$1.21 million).

Property Related Services Business

The Group had commenced its property related services business in June 2020, having entered into three property management agreements with Anshan Xinhaijia Property Management Co., Ltd.* (鞍山新海嘉電梯有限公司) on 29 April 2020, through its wholly-owned subsidiary, Anshan Tian Xi Hai Jia Sales Company Limited* (鞍山天禧海嘉商業銷售有限公司), to provide property related services for various residential properties, shop lots and auxiliary facilities in Anshan, the PRC, for an aggregate annual management fees of approximately RMB3.05 million.

During the Period, given that this business segment was still in its infancy stage, the Group generated revenue of approximately HK\$0.28 million (six months ended 30 June 2019: Nil) and recorded a profit after tax of approximately HK\$0.03 million (six months ended 30 June 2019: Nil). Such a slight profit after tax was mainly attributable to the staff costs incurred for the provision of property related services.

Retail Business

The Group commenced the preparation works for this new business segment in late 2019, such as (a) identifying suitable locations in Shanghai, the PRC, for (i) retail sales of a variety of Chinese liquor and wine, and (ii) preparing for the opening of its first convenience store; and (b) recruiting staff for the above new businesses.

However, in light of the Coronavirus Outbreak, overall business activities in the PRC, including retail business activities, have been materially and adversely affected. Such unexpected development had directly affected the timing of the execution of the Group's business plan, in particular, the opening of the convenience stores. As at 30 June 2020, the Group was operating one Chinese liquor and wine store, and the retail business generated revenue and loss after tax of approximately HK\$5.86 million and HK\$2.37 million for the Period, respectively. Such loss after tax was mainly attributable to the staff costs, the depreciation charge of right-of-use assets incurred for the Chinese liquor and wine store and the preparation costs for the convenience stores.

Discontinued operation*Automobile business*

The Group had ceased this business segment and the underlying operation during the second half of 2019. The deregistration of entities within this business segment had been completed during the Period. For the Period, no revenue was generated from this business segment (six months ended 30 June 2019: loss after tax of approximately HK\$8.29 million).

Regional Information

As the Group did not have material operations outside the PRC during the Period, no geographic segment information is presented.

Prospects

Since 2019, the Group has been seeking possible diversification opportunities to reduce the business risk and enhance its income stream, and will continue to closely monitor and review its leasing strategies from time to time.

Looking forward, for its properties and property related services businesses, the Group intends to (i) enlarge its investment portfolio and diversify its risk by holding a mixed portfolio of investment properties through seeking opportunities to acquire quality investment properties; and (ii) gradually establish a track record and market reputation as a reliable quality property management services provider. As for the retail business, the Group intends to focus on the (i) Chinese liquor and wine retail business, which has been operating under the brand name of “大橘珍品”, with a primary focus on the sales of “Moutai”, a well-known Chinese liquor brand with a long history and often referred to as the national liquor of the PRC; and (ii) convenience store retail business, which will be operating under the name of “大橘便利”, with a primary focus on the sales of a mixture of selective quality fast-moving consumer goods, good quality casual convenient food, while targeting the middle-class consumers in the PRC.

Nonetheless, the Coronavirus Outbreak has materially and adversely impacted the PRC domestic market in the first quarter of 2020. The Containment Measures resulted in significant reduction in foot traffic in shopping malls and street-level shops, and caused certain retail shops to close temporarily and/or shorten its operating hours. As such, the retail sector, including convenience stores, has been one of the more adversely affected sectors as a result of the Coronavirus Outbreak.

These adverse impacts have and will continue to affect the markets in which the Group operates. In view of protecting the shareholders of the Company's interests, the board (the "Board") of directors of the Company (the "Directors") has acted prudently and cautiously by re-adjusting the Group's strategy over time to manage the situations arising from the Coronavirus Outbreak, including the delay in the opening of the Group's convenience stores in the PRC, and has entered into rental reduction arrangements with its key tenants in order to maintain a good relationship with these key tenants and secure continued and stabilised income for the Group.

Liquidity and Financial Resources

As at 30 June 2020, the Group's current ratio was approximately 4.27 (31 December 2019: approximately 4.21), calculated on the basis of current assets of approximately HK\$107.01 million (31 December 2019: approximately HK\$111.04 million) over current liabilities of approximately HK\$25.08 million (31 December 2019: approximately HK\$26.35 million).

As at 30 June 2020, total short-term bank deposits, bank balances and cash on hand, which were denominated in Hong Kong dollars, United States dollars and Renminbi, were approximately HK\$98.36 million (31 December 2019: approximately HK\$103.01 million).

Gearing Ratio

As at 30 June 2020, the Group's gearing ratio (defined as total bank borrowings divided by total assets) was nil (31 December 2019: Nil), due to no bank borrowings of the Group (31 December 2019: Nil) and total assets of the Group was approximately HK\$694.94 million (31 December 2019: approximately HK\$699.44 million).

Future Plans for Material Investment or Capital Assets

The Group is actively exploring other business opportunities in the domestic market in the PRC. The Group has been operating one Chinese liquor and wine store since the beginning of 2020. The Group believes that, by commencing its property related services business and expanding into the retail industry, the Group can take advantage of its industry knowledge of the property market in the PRC and the increasing domestic demand in the retail industry (despite the Coronavirus Outbreak), respectively, and will provide a prime opportunity for the Group to diversify its revenue stream and bring better return to the shareholders of the Company, which is expected to benefit the Company and its shareholders as a whole.

Save as disclosed above, the Directors currently do not have any future plans for material investments or capital assets. The Directors will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Significant Investments

During the Period, the Group did not have any significant investments (six months ended 30 June 2019: Nil).

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

Foreign Exchange Exposure

During the Period, most of the Group's business transactions were conducted in Hong Kong dollars and Renminbi. Review of the Group's exposure to foreign exchange risks is conducted periodically. It was expected that the exposure to exchange rate fluctuation was not significant and therefore the Group did not engage in any hedging activity during the Period.

Capital Commitment

As at 30 June 2020, the Group had capital commitments of approximately HK\$0.81 million for property, plant and equipment (31 December 2019: HK\$0.11 million).

Contingent Liability

The Group had no material contingent liability as at 30 June 2020 (31 December 2019: Nil).

Charge on Assets

As at 30 June 2020, the Group did not have any charge on its assets (31 December 2019: Nil).

Treasury Policy

The Group adopts a treasury policy that aims to better control its treasury operations and lower its borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also considers various funding sources depending on the Group's needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The time deposits of the Group at various licensed banks have been and shall continue to be conducted in accordance with the Group's treasury policy. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

Employees and Remuneration Policies

As at 30 June 2020, the Group employed 102 employees (30 June 2019: 19 employees) with staff costs excluding the non-executive Director and independent non-executive Directors for the Period amounting to approximately HK\$5.58 million (six months ended 30 June 2019: approximately HK\$5.63 million). Remuneration policies are reviewed annually by the management of the Company. Remuneration packages are structured to take into account comparable levels in market and the prevailing business scale of the Group. The Company also operated a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme was adopted and approved by the shareholders of the Company on 14 May 2010 and expired on 13 May 2020. No share options had been granted under the Scheme during the life of the Scheme.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

FUND RAISING — PLACINGS

The Company has conducted two placings of new Shares under general mandate in 2017 (the “**Placings**”) with details as follows:

	Date of placing agreement	No. of new Shares placed	Placing price	Net placing price	Gross and net proceeds	Market price of the Shares on the date when the issuance terms were determined	Date of completion
First Placing	10 February 2017	52,300,000 Shares	HK\$1.44	HK\$1.43	Approximately HK\$75.31 million and HK\$74.72 million	HK\$1.75 (10 February 2017)	24 February 2017
Second Placing	3 November 2017	31,390,000 Shares	HK\$1.50	HK\$1.49	Approximately HK\$47.09 million and HK\$46.67 million	HK\$1.78 (3 November 2017)	30 November 2017

For details of the Placings, please refer to the Company’s announcements dated 10 February 2017, 24 February 2017, 3 November 2017 and 30 November 2017, respectively.

The intended and actual use of proceeds from the Placings up to 30 June 2020 are as follows:

Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds up to 30 June 2020	Unutilised proceeds	Expected timeline for utilised net proceeds
First Placing	Approximately HK\$74.72 million	For			By 2021
		(i) general working capital; and/or	(i) Approximately HK\$44.17 million had been applied towards the general working capital of the Group (i.e. rental expenses, remuneration of directors and employees, legal and professional fees and other administrative expenses); and	Approximately HK\$7.70 million will be applied as general working capital of the Group	
Second Placing	Approximately HK\$46.67 million	(ii) financing future investment or new business development as and when opportunities arise	(ii) Approximately HK\$22.85 million had been used for the settlement of the consideration of the acquisition of 11 contiguous double deck shop units within a two-storey retail building in a newly constructed private housing estate located in Liaoning Province, the PRC, and its related taxes and expenses	Nil	
		(i) general working capital; and/or	(i) Nil; and		
		(ii) financing future investment or new business development as and when opportunities arise	(ii) Approximately HK\$12.31 million had been used for the automobile business Approximately HK\$3.14 million had been used for the retail business	Approximately HK\$31.22 million will be used as intended for financing new business development when the opportunity arises (including but not limited to the expansion of the retail business)	By 2022

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the following Directors or the chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Director	Capacity/ Nature of Interest	Number of the Shares interested			Percentage of the Shares*
		Direct interests	Deemed interests	Total interests	
Mr. JIANG Tian	Beneficial owner Interest in a controlled corporation	5,648,000	187,176,577 (Note 1)	192,824,577	55.83%
Ms. JIANG Jiabao	Beneficial owner	24,668,000		24,668,000	7.14%

Long positions in the shares of the associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of the issued shares of associated corporation
Mr. JIANG Tian	Hopevision Group Ltd. (Note 2)	Interest in a controlled corporation	1	100%
	Hong Kong Hopevision International Limited	Interest in a controlled corporation	1	100%
	Shanghai Chongsheng Investment Management Co., Ltd. (Note 2)	Beneficial owner	N/A	99%
Mr. GONG Biao	Shanghai Chongsheng Investment Management Co., Ltd. (Note 2)	Beneficial owner	N/A	1%

Notes:

1. Mr. JIANG Tian was deemed to be interested in 192,824,577 Shares, among which 187,176,577 Shares were held by Hopevision Group Ltd. and 5,648,000 Shares were held in his own capacity.
 2. Hopevision Group Ltd. was indirectly wholly owned by Shanghai Chongsheng Investment Management Co., Ltd., whose registered capital of RMB50,000,000 was in turn owned as to 99% by Mr. JIANG Tian and 1% by Mr. GONG Biao.
- * The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

None of the Directors nor the chief executive (including their spouse and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, as at 30 June 2020, the following parties had interests in more than 5% of the Shares:

Long positions in the Shares

Name of substantial shareholder	Capacity/ Nature of Interest	Number of the Shares interested			Percentage of the Shares*
		Direct interests	Deemed interests	Total interests	
Hopevision Group Ltd.	Beneficial owner	187,176,577	—	187,176,577	54.20%
Shanghai Chongsheng Investment Management Co., Ltd.	Interest in a controlled corporation	—	187,176,577 (Note 1)	187,176,577	54.20%
Smart Emperor Global Limited	Beneficial owner	20,930,000	—	20,930,000	6.06%
Ms. SU Shan	Interest in a controlled corporation	—	20,930,000 (Note 2)	20,930,000	6.06%

Notes:

1. The share capital of Hopevision Group Ltd. was wholly owned by Hong Kong Hopevision International Limited, which was wholly owned by Shanghai Chongsheng Investment Management Co. Ltd., which was owned as to 99% by Mr. JIANG Tian. Accordingly, Mr. JIANG Tian and Shanghai Chongsheng Investment Management Co., Ltd were deemed to be interested in the 187,176,577 Shares held by Hopevision Group Ltd.
 2. The share capital of Smart Emperor Global Limited was wholly owned by Ms. SU Shan. Accordingly, Ms. SU Shan was deemed to be interested in the 20,930,000 Shares held by Smart Emperor Global Limited.
- * The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2020.

Save as disclosed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations” above) who, as at 30 June 2020, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. Save as disclosed herein, the Company complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the Period, except the following deviation.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. With the support of the company secretary of the Company, the chairman of the Board (the “**Chairman**”) seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received adequate and reliable information on a timely basis.

Mr. JIANG Tian served as both the Chairman and the chief executive of the Company (the “**Chief Executive**”) until 6 January 2020, and such practice deviated from code provision A.2.1 of the CG Code. The Board believed that vesting the roles of both the Chairman and the Chief Executive in the same person can facilitate the effective execution of the Group’s business strategies and operation.

The Company has been in compliance with code provision A.2.1 of the CG Code when Mr. JIANG Tian ceased to act as the Chief Executive and Ms. HOU Yingxuan was appointed as the Chief Executive since 6 January 2020.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. JIANG Tian was appointed as a director of each of Hong Kong Hopevision International Limited and Hopevision Group Ltd., respectively, on 28 April 2020.
- Mr. GONG Biao resigned as a director of each of Hong Kong Hopevision International Limited and Hopevision Group Ltd., respectively, on 28 April 2020.
- Due to the deregistration of Shanghai Chengzhi Automobile Sales Co., Ltd.* (上海誠致汽車銷售有限公司) (“**Shanghai Chengzhi**”) on 3 June 2020, (i) Mr. GONG Biao had ceased to be the chairman and legal representative; and (ii) Ms. JIANG Jiabao had ceased to be the representative of the liquidation committee, of Shanghai Chengzhi, respectively.

* *The English translation is for reference of those official names in Chinese only.*

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all Directors, each of the Directors confirmed that he/she had complied with the required standards set out in the Model Code throughout the Period.

The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incident of non-compliance of such guidelines by relevant employees was noted by the Company during the Period.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE AND AUDITOR

The audit committee of the Company, comprising all the three independent non-executive Directors, has reviewed the Group's unaudited condensed consolidated financial statements for the Period and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group.

The unaudited interim financial report of the Group for the Period has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of interim financial information performed by the independent auditor of the entity*” issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after 30 June 2020.

PUBLICATION OF INTERIM REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim report is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.skychinafortune.com.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises four executive Directors, namely, Mr. JIANG Tian, Ms. HOU Yingxuan, Mr. GONG Biao and Ms. JIANG Jiabao; one non-executive Director, namely, Mr. CHAI Yuet; and three independent non-executive Directors, namely, Mr. HU Jianxing, Mr. TSEUNG Yuk Hei Kenneth and Mr. JI Qing.

On behalf of the Board

Sky Chinafortune Holdings Group Limited

JIANG Tian

Chairman of the Board

Hong Kong, 28 August 2020



REVIEW REPORT TO THE BOARD OF DIRECTORS OF SKY CHINAFORTUNE HOLDINGS GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

We have reviewed the interim financial report set out on pages 19 to 40 which comprises the consolidated statement of financial position of Sky Chinafortune Holdings Group Limited (the “**Company**”) as at 30 June 2020 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
28 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 — unaudited
(Expressed in Hong Kong dollars (“HK\$”))

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 (Note a) HK\$'000 (Restated)
Continuing operations			
Revenue	5	17,976	11,961
Cost of sales		(6,279)	(910)
Gross profit		11,697	11,051
Other net income		950	777
Net valuation gain on investment properties	10	2,830	3,497
Administrative expenses		(11,007)	(9,602)
Selling and distribution expenses		(663)	—
Profit from operations		3,807	5,723
Finance costs	6(a)	(121)	(34)
Profit before taxation	6(b)	3,686	5,689
Income tax	7	(2,047)	(1,978)
Profit for the period from continuing operations		1,639	3,711
Discontinued operation			
Loss for the period from discontinued operation, net of tax	8	—	(8,287)
Profit/(loss) for the period attributable to equity shareholders of the Company		1,639	(4,576)
Earnings/(loss) per share (for continuing and discontinued operations)			
— Basic and diluted (HK cents)	9	0.47	(1.32)
Earnings per share (for continuing operations)			
— Basic and diluted (HK cents)	9	0.47	1.07

Notes:

- (a) The comparative information has been re-presented due to a discontinued operation. See note 8.
- (b) The notes on pages 25 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 14(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited

(Expressed in HK\$)

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit/(loss) for the period	1,639	(4,576)
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of financial statements of operations in foreign jurisdictions	(9,180)	(32)
Total comprehensive income for the period, attributable to equity shareholders of the Company	(7,541)	(4,608)

The notes on pages 25 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 — unaudited
(Expressed in HK\$)

	<i>Note</i>	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Non-current assets			
Investment properties	<i>10</i>	563,942	571,095
Property, plant and equipment	<i>11</i>	2,623	2,577
Right-of-use assets	<i>12</i>	9,733	4,990
Trademark		141	152
Trade and other receivables, prepayments and deposits	<i>13</i>	11,483	9,584
		587,922	588,398
Current assets			
Properties held for sale		1,168	1,189
Inventories		2,260	—
Trade and other receivables, prepayments and deposits	<i>13</i>	5,223	6,756
Tax recoverable		—	92
Short-term bank deposits		66,446	56,616
Bank balances and cash		31,917	46,389
		107,014	111,042

	<i>Note</i>	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Current liabilities			
Other payables and accrued expenses		22,408	23,979
Rental deposits received		96	134
Lease liabilities		2,579	2,234
		25,083	26,347
Net current assets			
		81,931	84,695
Total assets less current liabilities			
		669,853	673,093
Non-current liabilities			
Rental deposits received		4,294	4,210
Lease liabilities		6,848	2,790
Deferred tax liabilities		80,438	80,279
		91,580	87,279
NET ASSETS			
		578,273	585,814
Capital and Reserves			
Share capital	<i>14</i>	193,246	193,246
Reserves		385,027	392,568
TOTAL EQUITY			
		578,273	585,814

The notes on pages 25 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited
(Expressed in HK\$)

	Attributable to equity shareholders of the Company				
	Share capital HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2019	193,246	70,215	133	338,018	601,612
Changes in equity for the six months ended 30 June 2019:					
Loss for the period	—	—	—	(4,576)	(4,576)
Other comprehensive income	—	(32)	—	—	(32)
Total comprehensive income	—	(32)	—	(4,576)	(4,608)
Balance at 30 June 2019	193,246	70,183	133	333,442	597,004

	Attributable to equity shareholders of the Company				
	Share capital HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2020	193,246	59,587	133	332,848	585,814
Changes in equity for the six months ended 30 June 2020:					
Profit for the period	—	—	—	1,639	1,639
Other comprehensive income	—	(9,180)	—	—	(9,180)
Total comprehensive income	—	(9,180)	—	1,639	(7,541)
Balance at 30 June 2020	193,246	50,407	133	334,487	578,273

The notes on pages 25 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 — unaudited

(Expressed in HK\$)

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Operating activities		
Net cash used in operating activities	(2,296)	(4,623)
Investing activities		
Purchase of property, plant and equipment	(616)	(3,091)
Purchase of investment properties	—	(22,850)
Others	782	744
Net cash generated from/(used in) investing activities	166	(25,197)
Financing activities		
Capital element of lease rentals paid	(1,492)	(694)
Interest element of lease rentals paid	(121)	(33)
Net cash used in financing activities	(1,613)	(727)
Net decrease in cash and cash equivalents	(3,743)	(30,547)
Cash and cash equivalents at 1 January	103,005	140,760
Effect of foreign exchange rates changes	(899)	(1)
Cash and cash equivalents at 30 June	98,363	110,212
Analysis of balances of cash and cash equivalents		
Bank balances and cash	31,917	19,537
Short-term bank deposits	66,446	90,675
	98,363	110,212

The notes on pages 25 to 40 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in HK\$ unless otherwise indicated)

1 General information

Sky Chinafortune Holdings Group Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company is Room 1512, 15/F, New World Tower 1, 16–18 Queen’s Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in property investment and the retail business in the People’s Republic of China (the “**PRC**”). The Company and its subsidiaries are collectively referred to as the “**Group**”.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”) and the functional currency of its operations in the PRC is Renminbi (“**RMB**”). The consolidated financial statements are presented in HK\$.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

This interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 18.

2 Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report (i) was unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and (iii) did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

3 Changes in accounting policies

Overview

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and apply the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

Segment Information

Information reported to the executive directors of the Company, being the chief operating decision-makers, for the purpose of resource allocation and assessment of segment performance focuses on the operating divisions of the Group.

The executive directors of the Company have identified the following reportable segments for the Group's operating segments. These segments are managed separately as each business offers different services and requires different business strategies.

Continuing operations

- (1) Property investment in the PRC — leasing of investment properties situated in the PRC
- (2) Trading of properties and property related services — sale of properties situated in the PRC, including the short-term leasing of properties held for sales, and the provision of property related services in the PRC
- (3) Retail business — sale of Chinese liquor and wine, and everyday items in the PRC

Discontinued operation

- (1) Automobile business — sale of cars and the provision of tertiary services in the PRC

The Group ceased the operation of the automobile business during the year ended 31 December 2019. The deregistration of entities within this segment had been completed in the first half of 2020. The results of the automobile business segment from 1 January 2019 to 30 June 2019 were classified as a discontinued operation accordingly. The discontinued operation has resulted in a change in the Group's structure and therefore its composition of reporting segments. The comparative figures of segment disclosure have been re-presented to conform to the current period's presentation.

The accounting policies of the reportable segments are the same as the Group's accounting policies. There were no inter-segment sales between different operating segments for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil). Segment revenue represents revenue from external customers. Segment profit or loss after tax represents net profit earned or loss incurred by each reportable segment without allocation of income and expenses of the Group's headquarters, corporate income and expenses, unallocated finance costs, and unallocated income tax credit.

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than the Group's headquarters' corporate assets; and
- all liabilities are allocated to reportable segments other than the Group's headquarters' corporate liabilities.

4 **Segment Information (continued)**
Segment revenue and results

Information regarding the above segments is reported below:

	Property investment in the PRC HK\$'000	Continuing operations Trading of properties and property related services HK\$'000	Retail business HK\$'000	Total HK\$'000
For the six months ended 30 June 2020				
Reportable segment revenue	11,779	338	5,859	17,976
Reportable segment profit/(loss) after tax	10,105	68	(2,367)	7,806
Net corporate expenses				(6,141)
Unallocated finance costs				(26)
Profit for the period				1,639

	Continuing operations			Discontinued operation	Total
	Property investment in the PRC HK\$'000	Trading of properties HK\$'000	Sub-total HK\$'000	Automobile business HK\$'000	HK\$'000
For the six months ended 30 June 2019					
Reportable segment revenue	11,767	194	11,961	—	11,961
Reportable segment profit/(loss) after tax	10,135	139	10,274	(8,287)	1,987
Net corporate expenses					(6,583)
Unallocated income tax credit					53
Unallocated finance costs					(33)
Loss for the period					(4,576)

4 Segment Information (continued) Segment assets and liabilities

	Property investment in the PRC HK\$'000	Trading of properties and property related services HK\$'000	Retail business HK\$'000	Total HK\$'000
At 30 June 2020				
Reportable segment assets	585,104	1,404	24,631	611,139
Unallocated corporate assets				83,797
Consolidated total assets				694,936
Reportable segment liabilities	89,690	15,232	7,700	112,622
Unallocated corporate liabilities				4,041
Consolidated total liabilities				116,663

	Continuing operations			Discontinued operation		Total HK\$'000
	Property investment in the PRC HK\$'000	Trading of properties HK\$'000	Retail business HK\$'000	Sub-total HK\$'000	Automobile business HK\$'000	
At 31 December 2019						
Reportable segment assets	589,393	1,195	7,963	598,551	1,346	599,897
Unallocated corporate assets				99,543	—	99,543
Consolidated total assets				698,094	1,346	699,440
Reportable segment liabilities	90,045	15,344	3,409	108,798	—	108,798
Unallocated corporate liabilities				4,828	—	4,828
Consolidated total liabilities				113,626	—	113,626

Unallocated corporate assets mainly comprised of right-of-use assets and property, plant and equipment which are used by the Group's headquarters, trademark, certain bank balances and cash and short-term bank deposits which are held as the general working capital of the Group as a whole and other corporate assets of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

Unallocated corporate liabilities mainly comprised of corporate liabilities of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

As the Group does not have material operations outside the PRC, no geographic segment information is presented.

5

Revenue**Continuing operations**

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Rental revenue:		
Shops	10,380	10,566
Residential	1,209	1,130
Carpark	249	265
	11,838	11,961
Retail sales	5,859	—
Property related services	279	—
	17,976	11,961

The Group's customer base includes one (six months ended 30 June 2019: two) customer with whom transactions have exceeded 10% of the Group's revenue. During the six months ended 30 June 2020, revenue from rental income received from the one (six months ended 30 June 2019: two) customer in the "Property investment in the PRC" segment, amounted to approximately HK\$7,084,000 (six months ended 30 June 2019: approximately HK\$6,980,000 and HK\$1,760,000, respectively).

6

Profit before taxation**Continuing operations****(a) Finance costs**

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000 (Restated)
Interest on leases liabilities	121	34

6

Profit before taxation (continued)**Continuing operations (continued)****(b) Profit before taxation is arrived at after charging/(crediting):**

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000 (Restated)
Amortisation of trademark	10	7
Depreciation charge		
— owned property, plant and equipment	541	488
— right-of-use assets	1,207	563
Interest income	(698)	(776)
Government subsidy	(189)	—
Exchange loss, net	180	4
Staff costs (including directors' emoluments)	6,172	5,368
Cost of inventories recognised as expenses included in cost of sales	5,161	—
Short-term leases charges	444	494
Gross rental income	(11,838)	(11,961)
Less: direct operating expenses	903	910
Net rental income	(10,935)	(11,051)

7 Income tax

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current tax — PRC tax	483	669
Deferred tax	1,564	1,309
	2,047	1,978

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Accordingly, the provision for Hong Kong Profits Tax for the six months ended 30 June 2020 and 2019 is calculated in accordance with the two-tiered profits tax rate regime. No provision was made for Hong Kong Profits Tax as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019, respectively.

Under the law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the PRC subsidiaries are subject to Enterprise Income Tax of tax rate of 25%.

Income tax arising from certain Hong Kong subsidiaries’ operations in the PRC is calculated at tax rate of 10% (six months ended 30 June 2019: 10%) on the rental income earned by these Hong Kong subsidiaries for the six months ended 30 June 2020.

8

Discontinued operation

As the retail market for automobiles in the PRC has been seriously affected by the reduction of government subsidies for new energy vehicles and the trade conflict between China and U.S., the Group ceased the operation of its automobile business segment in 2019. The deregistration of entities comprising this segment was completed during the six months ended 30 June 2020. The consolidated results of the discontinued operation for the period from 1 January 2019 to 30 June 2019 have been restated and presented as discontinued operation in the financial report in accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

(a) Results of discontinued operation:

	Six months ended 30 June 2019 HK\$'000
Revenue	—
Cost of sales	—
Gross profit	—
Other income	2,209
Administrative expenses	(10,136)
Loss from operations	(7,927)
Finance costs	(360)
Loss before taxation	(8,287)
Income tax	—
Loss for the period from discontinued operation	(8,287)
Basic and diluted loss per share (HK cents)	(2.39)

For the six months ended 30 June 2019, the retail market for automobiles in the PRC was seriously affected by the impact of the reduction of government subsidies for new energy vehicles and the trade conflict between the U.S. and China. The Group estimated the recoverable amount to be nil based on value-in-use calculation and made full impairment loss of approximately HK\$7,881,000 and HK\$268,000 on property, plant and equipment and other receivable, respectively, in relation to the automobile business.

8 Discontinued operation (Continued)

(a) Results of discontinued operation: (Continued)

Due to the change in economic environment, the Group reassessed the lease liabilities since the Group was reasonably certain to exercise the early termination option of a lease agreement in relation to the automobile business segment. The right-of-use assets were reduced by approximately HK\$11,756,000 as a result of the reassessment. Other net income of approximately HK\$2,203,000 has been recognised in the profit or loss as a result of the reversal of lease liabilities.

The calculation of basic loss per share from discontinued operation of HK2.39 cents, is based on the loss for the period from discontinued operation attributable to the equity shareholders of the Company of approximately HK\$8,287,000. The weighted average number of ordinary shares for basic loss per share is disclosed in note 9.

There was no difference between the basic and diluted loss per share as there were no dilutive potential shares outstanding for the period presented.

(b) Cash flows generated from discontinued operation:

	Six months ended 30 June 2019 HK\$'000
Net cash used in operating activities	(2,884)
Net cash used in investing activities	(397)
Net cash used in financing activities	—
Net cash flows used in discontinued operation for the period	(3,281)

9 Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately HK\$1,639,000 (six months ended 30 June 2019: loss of approximately HK\$4,576,000) and the weighted average of 345,374,910 ordinary shares (six months ended 30 June 2019: 345,374,910 shares) in issue during the period.

There was no difference between the basic and diluted earnings/loss per share as there were no dilutive potential shares outstanding for the periods presented.

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations is based on profit for the period attributable to the ordinary equity shareholders of the Company from continuing operations of approximately HK\$1,639,000 (six months ended 30 June 2019: profit of approximately HK\$3,711,000), and the denominators used are the same as those detailed above for basic and diluted earnings per share.

10 Investment properties

The valuations of investment properties carried at fair value were performed by the Group's independent valuer, Asset Appraisal Limited, using the same valuation techniques as were used by this valuer when carrying out the valuation for the year ended 31 December 2019. A net gain of approximately HK\$2,830,000 has been recognised in profit or loss for the six months ended 30 June 2020 in respect of investment properties. A net loss of approximately HK\$2,846,000 has been recognised in profit or loss for the six months ended 30 June 2019 in respect of investment properties. In addition, a gain of approximately HK\$6,343,000 was recognised in profit or loss for the six months ended 30 June 2019 when a property held for sale was transferred to investment property and remeasured at fair value.

11 Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a cost of approximately HK\$616,000 (six months ended 30 June 2019: approximately HK\$1,435,000). During the six months ended 30 June 2019, the retail market for automobiles in the PRC had been seriously affected by the impact of the reduction of government subsidies for new energy vehicles and the trade conflict between the U.S. and China. The Group estimated the recoverable amount of the property, plant and equipment of the automobile business segment to be nil based on value-in-use calculation and made full impairment loss of approximately HK\$7,881,000 on property, plant and equipment in relation to the automobile business.

12 Right-of-use assets

During the six months ended 30 June 2020, the Group entered into various lease agreements for use of retail stores and office premise in the PRC (six months ended 30 June 2019: office premise in Hong Kong), and therefore recognised the additions to right-of-use assets of approximately HK\$6,014,000 (six months ended 30 June 2019: approximately HK\$3,381,000).

The leases of retail stores contain fixed payment terms. During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed payments for the period is summarised below:

	Six months ended 30 June 2020		
	Fixed payments HK\$'000	COVID-19 rent concessions HK\$'000	Total payments HK\$'000
Retail store — Shanghai	373	(54)	319

As disclosed in note 3, the Group has early adopted the amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period.

13 Trade and other receivables, prepayments and deposits

As at the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance is as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
0-30 days	1,247	1,337
31-60 days	1,129	968
Trade receivables, net of loss allowance	2,376	2,305
Accrued rent receivables	11,185	8,134
Prepayments, deposits and other receivables, net of loss allowance	3,145	5,901
Carrying amount	16,706	16,340
Less: current portion	(5,223)	(6,756)
Non-current portion	11,483	9,584

Rents from leasing of properties are normally received in advance without credit terms to tenants. At 30 June 2020, trade receivables of approximately HK\$2,376,000 (31 December 2019: approximately HK\$2,305,000) were past due.

14 Capital, reserves and dividends

(a) Dividends

Interim dividends

No interim dividend was declared and paid for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

(b) Share capital

	At 30 June 2020		At 31 December 2019	
	Number of shares	Amounts HK\$'000	Number of shares	Amounts HK\$'000
Ordinary shares, issued and fully paid	345,374,910	193,246	345,374,910	193,246

15 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

At 30 June 2020 and 31 December 2019, the Group did not have any financial assets or liabilities measured at fair value.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2019 and 30 June 2020.

16 Commitments

Capital commitments outstanding not provided for

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Acquisition of property, plant and equipment in retail business		
— contracted but not provided for	807	108

17 Related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group was as follows:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Fees, salaries, other benefits and retirement benefit costs	2,346	3,633

Total remuneration was included in "staff costs" (see note 6).

(b) Other related party transactions

(i) Significant related party transactions

During the six months ended 30 June 2020, the Group entered into transactions with the following related parties:

Name of parties	Nature of transaction	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Sky Fortune Boutique Hotel Shanghai (Note (a))	Rental expenses	377	—
	Staff messing and accommodation expenses	56	—
	Retail sales	3	—
Shanghai You Yi Jiu Ye Company Limited* (Note (b)) 上海優怡酒業有限公司	Retail sales	597	—

17 **Related party transactions (Continued)**
 (b) **Other related party transactions (Continued)**
 (ii) **Balance with a related party**

As at 30 June 2020, the Group had the following balance with a related party:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Amount due from Sky Fortune Boutique Hotel Shanghai (Note (a))	126	—
Right-of-use asset	1,126	—
Lease liabilities	1,105	—

Notes:

- (a) *The ultimate controlling party of the Group acquired the controlling interests in this entity indirectly in January 2020.*
- (b) *The company is controlled by two executive directors of the Company, Mr. JIANG Tian and Mr. GONG Biao, respectively.*
- * *The English translation is for reference of those official names in Chinese only.*

18 **Immediate and ultimate controlling party**

At 30 June 2020, the directors of the Company consider the immediate parent of the Group to be Hopevision Group Ltd., a company which was incorporated in Seychelles and the ultimate controlling party of the Group is Mr. JIANG Tian.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2020

A number of amendments and new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. Other than the amendments to HKFRS 16, the Group has not early adopted any new or amended standards in preparing this interim financial report. These standards are not expected to have a material impact on the Group's consolidated financial statements.

20 Impacts of COVID-19 pandemic

The outbreak of COVID-19 pandemic since early 2020 has brought additional uncertainties to the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact on the developments of the Group's business and has put in place contingency measures. The contingency measure includes offering one to two months rent relief to several tenants, and the amount of rental concession was determined on a case-by-case basis during the period. The Group will keep the contingency measures under review as the situation evolves.

21 Comparative figures

The comparative consolidated statement of profit or loss has been re-presented as the automobile business segment was discontinued during 2019.